

The Bank of Korea is likely to keep interest rates on hold through 2017, supporting financial transactions. But as high consumer debt and the reorientation of China's economy continue to dampened South Korea's economic growth, we forecast a slower pickup in M&A and IPO activity than in other Asian economies.

M&A AND IPO TRANSACTIONS							
	2014	2015	2016	2017f	2018f	2019f	2020f
<b>TOTAL M&amp;A TRANSACTIONS (US\$B)</b>	<b>56.3</b>	<b>65.3</b>	<b>32.7</b>	<b>48.8</b>	<b>54.5</b>	<b>58.0</b>	<b>42.2</b>
% of Global M&A transactions	2.3	1.9	1.2	1.9	1.8	2.1	1.8
Domestic (US\$B)	39.6	57.1	30.3	38.9	43.2	46.1	34.3
Cross-border, inbound (US\$B)	16.7	8.2	2.4	9.8	11.3	11.8	7.9
<b>TOTAL VOLUME OF M&amp;A TRANSACTIONS (Number of deals)</b>	<b>900</b>	<b>988</b>	<b>834</b>	<b>858</b>	<b>902</b>	<b>932</b>	<b>705</b>
Domestic (Number of deals)	755	843	750	761	789	813	605
Cross-border, inbound (Number of deals)	145	145	84	97	113	119	100
<b>TOTAL IPO TRANSACTIONS (US\$M)</b>	<b>1,013.0</b>	<b>1,781.2</b>	<b>1,896.6</b>	<b>1,125.4</b>	<b>1,210.6</b>	<b>1,302.0</b>	<b>901.5</b>
% Global IPO transactions	0.4	0.9	1.4	0.7	0.4	0.5	0.5
Domestic (US\$M)	994.5	1,781.2	1,575.6	1,064.6	1,132.0	1,210.4	867.9
Cross-border (US\$M)	18.6	0.0	321.0	60.8	78.6	91.6	33.7

FORECAST FOR THE ECONOMY							
	2014	2015	2016	2017f	2018f	2019f	2020f
<b>MACROECONOMIC DRIVERS</b>							
Real GDP growth (% yoy)	3.3	2.6	2.7	2.5	2.9	2.9	2.7
CPI (% yoy)	1.3	0.7	1.0	1.3	1.5	1.8	2.0
Merchandise trade (% of GDP)	81	70	64	66	66	67	68
<b>FINANCIAL DRIVERS</b>							
10-year government bond yield (%)	3.2	2.3	1.7	2.4	2.7	3.1	3.5
Equity prices (LCU, end of year % change)	-4.8	2.4	1.0	9.8	6.7	7.1	-11.5
Stock market capitalization (US\$B)	1,213	1,231	1,213	1,290	1,359	1,462	1,443

### KEY DRIVER SUMMARY (AVERAGE 2015-2020)

	South Korea	Global
<b>GDP growth</b> (% annual)	<b>2.7</b>	<b>2.6</b>
<b>Stock market capitalization</b> (% of GDP)	<b>89</b>	<b>98</b>
<b>Money supply</b> (% of GDP)	<b>153</b>	<b>124</b>
<b>Trade</b> (% of GDP)	<b>66</b>	<b>42</b>
<b>Ease of doing business</b> (World Bank)	<b>83</b>	<b>62</b>
<b>Legal structure</b> (Fraser Institute)	<b>6.2</b>	<b>6.4</b>
<b>Freedom to trade</b> (Fraser Institute)	<b>7.4</b>	<b>7.3</b>

### TRANSACTION ATTRACTIVENESS INDICATOR\*



\*The Transaction Attractiveness Indicator is an overall score calculated using a weighted average of the 10 factors included in the chart above. The score reflects the attractiveness of a country's current environment for M&A and IPO activity on a scale from 0 to 10. It's based on past transactional activity in that country and data on key economic, financial and regulatory factors that drive M&A and IPO activity. Because many of these factors change slowly over time, a country's current score is a strong indicator of whether it will have the right features to attract transactional activity in the future.